(H-1) Substitute for HB 4714

House Committee on Michigan Competitiveness

Wednesday, June 12, 2013

Thank you Chairman Shirkey and Members of the Committee. My name is Rob Fowler and I am President and CEO for the Small Business Association of Michigan.

Along with me this afternoon is Wendy Block, Director of Health Policy and Human Resources for the Michigan Chamber, David Finkbeiner, Senior Vice-President for Advocacy of the Michigan Health and Hospital Association, Mark Cook, Vice-President for Governmental Affairs for Blue Cross/Blue Shield of Michigan and Rick Murdock, Executive Director of the Michigan Association of Health Plans.

SBAM's interest in Medicaid Reform and Expansion comes primarily from two positions:

1. From the realization that a significant portion of the premium that our members, those who can still afford to offer health insurance to their employees, pay to cover the cost of uncompensated care. This amount is estimated at between 6% and 8% of annual premium - $400 for a single contract and $1,000 for a family. Reducing or eliminating this amount is what brings the business community to this table.

2. We also realize that many individuals in the expansion population have some income and they most likely work for a member of the Michigan small business community. Getting these folks covered reduces the possibility that

one of these small businesses will be subject to the fines associated with the Affordable Care Act.

At its core this is a math problem. We believe that expanding the number of Michiganders enrolled in Medicaid should lower the uncompensated care provided by the hospitals. As uncompensated care drops in the hospitals, the need to shift those costs to paying customers drops. This pressure is then removed from the negotiations between hospitals and insures and in turn the need to include that amount in the premiums our members pay should drop, ultimately removing those costs from our members.

We take comfort in knowing that there is direct language in HB 4714, specifically paragraphs 8 and 9 on page 7 that connect all the dots. These reports required from the hospital community to the Department of Community Health measure uncompensated care from year to year. The Department of Insurance and Financial Review will examine the reports from health insurers and provide insight and oversight to the positive impact that lower uncompensated care has on the premium rates our members pay. We are not interested in a "leap of faith" and this language eliminates that and turns it into a pretty straightforward math equation.

From the business community point of view, we also like the language included on page 6, paragraph 7 regarding the impact of health status on employability. Having a healthy workforce both lowers the direct costs of claims and also increases productivity. Getting people into see their primary care doctors and generally living a healthier lifestyle, helps that individual, helps their employer and helps Michigan be a more competitive state with workers ready to work.

I will now turn the testimony over to Wendy Block from the State Chamber of Commerce.

Testimony of Wendy Block

Good afternoon Mr. Chair and members of the Committee. My name is Wendy Block and I am the Director of Health Policy and Human Resources for the Michigan Chamber of Commerce. Thank you for the opportunity to be here today to support the (H-1) Substitute to HB 4714.

Like my colleagues, we agree the changes in the substitute bill are a step in the right direction. The Affordable Care Act (ACA) tries to make Expansion an "all or nothing" choice: Either expand to 133 percent of federal poverty level, or reject expansion and the federal funding entirely. We applaud your efforts to chart a new path and to find a "third way".

We support the substitute bill for three primary reasons:

1. Because it addresses our #1 issue, the cost-shift from hospitals to insurers to private payers to cover the cost of providing care for the uninsured, or "charity care". We fully support the language in the (H-1) version that creates a method to identify, capture and realize uncompensated care cost savings in health insurance rates.
2. We support the "skin in the game" language in the substitute in bill and believe the HSA-like savings account is a responsible way of asking this population to make these contributions. The mechanism in HB 4714 is very similar to the Health Savings Accounts and Flexible Spending Accounts our members set up for their employees so they can pay for medical expenses associated with their high deductible or standard health insurance plans. These savings vehicles allow individuals to access dollars (set aside by their employer, themselves or a combination of both) to cover their annual cost-sharing requirements. The (H-1) version

mirrors this mechanism, allowing individuals, their employers and/or other parties to contribute to their savings vehicles. Furthermore, we support the language in the (H-1) substitute that would make this account portable, whereby individuals could take their HSA contributions and convert them into vouchers to purchase insurance in the private marketplace.

3. Finally, we support the bill language that creates incentives for individuals, carriers and providers. Beginning in 2014, HB 4714 requires the Department of Community Health to create financial incentives for health insurers that meet specified population improvement goals, providers who meet specific quality and cost targets, and individuals who improve health outcomes to maintain healthy behaviors. Ultimately, it is these types of targets that will drive increased health care outcomes and reduce overall costs by incentivizing changes in the health care delivery system and consumption.

This concludes my testimony. At this point I would like to turn things over to Dave Finkbeiner with the MI Health and Hospital Association.

Testimony of David Finkbeiner

Chairman Shirkey and members, thank you for the opportunity to comment on the substitute which represents substantial change from the bill as introduced. These changes are positive and will help achieve the MHA goal of providing health care coverage for uninsured Michigan citizens. Getting people enrolled in health insurance has always been a priority for hospitals, because every day our members witness the physical and financial toll being uninsured takes on a sick person. The coverage that this legislation provides will allow people to manage their health in a

cost effective way in a primary care setting rather than going to an emergency room with an advanced illness.

As we engage in the debate about coverage, the issue of enrollment is frequently overlooked. The best of intentions of advocates, committee members, the Medicaid staff and everyone else who cares about coverage will not be enough to get eligible people enrolled in public or private health care benefits. We have the potential to enroll nearly a half million citizens, including an estimated 20,000 veterans, under this legislation.

The bill before you makes a new effort to offer a single entry point for the Medical Assistance and MIChild programs and it requires this process to happen through the Department of Community Health. The MHA believes this single paragraph will make a huge difference—linking the application process to the health care coverage in the same department instead of using both the Department of Human Services and the Department of Community Health. It also requires the Department of Community Health to meet people where they can best be assisted; whether that means online, on the phone or in-person. Access to care almost always requires access to coverage. Access to coverage requires access to enrollment. The MHA is committed to joining with the DCH director to making enrollment a streamlined process, through one department, with maximum accessibility to those who qualify for these benefits.

Again, thank you for your efforts and assuming the committee decides to report out this bill, thank you for getting this issue to the House floor. I will now turn testimony over to Mark Cook with Blue Cross/Blue Shield of Michigan.

Testimony of Mark Cook

Good Afternoon Chairman Shirkey and members of the committee. My name is Mark Cook and I am the Vice President of Governmental Affairs for Blue Cross Blue Shield of Michigan. We appreciate the opportunity to come before you today to share our support of the H-1 substitute for House Bill 4714.

We believe that the Medicaid reforms contained in the bill and substitute will help make Michigan's Medicaid population healthier, which will result in cost savings to the system overall.

The "Healthy Michigan Plan" in the bill will get results by providing financial incentives for beneficiaries to improve their health. Beneficiaries can reduce their cost sharing by attaining specific goals to improve or maintain healthy behaviors. Co-pays for prescription drugs will be set to encourage use of high-value, low-cost prescriptions such as generics. DCH will create financial incentives for providers that meet specified quality and cost targets, and health plans that meet specified population improvement goals.

Plans that incentivize healthy behaviors have achieved promising results. The "Healthy Indiana Plan" had similar incentives and under that plan, 80% of enrollees completed required preventive services and 69% fewer enrollees used the emergency room as the primary source or care. Usage of prescription medication increased and inpatient, outpatient, ER and physician services declined. These results suggest members improved chronic condition management with prescription medication.

We have also seen positive results in the commercial marketplace with our products Healthy Blue Living and Healthy Blue Outcomes. Under these plans, members who meet six key wellness targets or participate in improvement efforts are rewarded with lower cost sharing. Members are also required to complete a

health assessment each year. The results have been very positive with improvement in key areas such as high-blood pressure, high cholesterol and smoking cessation.

We believe the innovative reforms contained in HB 4714 will have a similar positive effect on the health of the Medicaid population and will result in cost savings for the state. We applaud the Chair and committee members for the work they have done on this bill and believe the passage of HB 4714 will lead to an improvement in the health of the of Michigan and cost savings for our members as fewer uninsured individuals utilize the Emergency room for primary care.

I will now turn the testimony over to Rick Murdock from the Michigan Association of Health Plans.

Testimony of Rick Murdock

Good afternoon Mr. Chairman and members of the Committee. As mentioned, my name is Rick Murdock I am Executive Director of the Michigan Association of Health Plans. Like my colleagues before me, our association supports the substitute bill.

You have heard from my colleagues regarding key provisions of the substitute bill (H-1) HB 4714 that instills reform into the Medicaid program—beginning first with the new eligibility population, but ultimately for the entire program. Adding to this list of reform contained in this legislation is efforts to implement "value based design" for pharmaceutical services—an area that represents a significant portion of overall Medicaid spending. It is in everyone's interest to continuous improve our cost-effectiveness in this area and be creative is using the cost-sharing arrangements with enrollees to encourage the use of high-value and lower cost

prescriptions—an effort that our members will work closely with the Department to achieve.

This legislation creates incentives at all levels. Incentives for enrollees to change or sustain healthful behavioral; incentives for providers to provide services that will demonstrate change in health status; incentives for carriers to have increasing accountability to arrange services and assist enrollees in achieving new benchmarks and reduce the overall administrative costs.

More importantly, however is the overall incentive placed on all of us who partner with the Department of Community Health. It will be our challenge to identify, establish and implement changes that will create savings that will not only reduce the costs that those who pay premiums are absorbing—the so called cost-shifting issue, but also to create the state budget savings that will enable the program to continue. We believe the implementation of this reforms contained within the legislation will enable those savings to be achieved.

Because this legislation represents the greatest opportunity to reform Medicaid in our recent memory our collective organizations and others support the Substitute Bill. Thank you for this opportunity to present before this Committee.